

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 IO-11 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 5855

INFO MTN GENEVA 094

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E.O. 11652: N/A

TAGS: ETRN, MTN, DR

SUBJECT: MTN: TROPICAL PRODUCTS NEGOTIATION

REF: 75 STATE 287116

1. SUMMARY: THE DOMINICAN REPUBLIC HAS THREE CATEGORIES OF NON-TRIFF TRADE BARRIERS THAT SHOULD BE CONSIDERED IN THE TROPICAL PRODUCTS NEGOTIATIONS. THE CATEGORIES ARE: (A) RESTRICTIONS SUCH AS PRIOR DEPOSITS, QUOTAS AND PROHIBITIONS ON USE OF OFFICIAL FOREIGN EXCHANGE FOR IMPORTS; (B) INTERNAL LAWS THAT IMPOSE TAXES ON IMPORTS OVER AND ABOVE CUSTOMS TARIFFS MAKING THE EFFECTIVE DUTY MUCH HIGHER THAN THE NOMINAL DUTY WHICH APPEARS ON THE DUTY SCHEDULE; AND (C) CONSULAR INVOICE DOCUMENTATION AND FEES WHICH ARE AN IMPEDIMENT TO THE SMOOTH FLOW OF IMPORTS. END SUMMARY.

2. ITEMS PROHIBITED UNDER QUOTAS OR REQUIRING PREPAYMENT OF LETTER OF CREDIT - THE GODR MONETARY BOARD PASSED RESOLUTIONS DATED JULY 8, 1967, AND JUNE 28, 1968, AND
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SUBSEQUENT ONES WHICH PROHIBIT THE ISSUANCE OF CENTRAL BANK FOREIGN EXCHANGE FOR A WIDE RANGE OF PRODUCTS OR REQUIRES

PREPAYMENT OF LETTERS OF CREDIT AND ESTABLISHES QUOTAS FOR OTHER PRODUCTS (EMBASSY IS POUCHING COPIES OF UNOFFICIAL TRANSLATIONS). DOMINICAN FIRMS WISHING TO IMPORT GOODS INCLUDED IN THE PROHIBITED LIST MAY USE THEIR "PERSONAL FOREIGN EXCHANGE," WHICH BASICALLY MEANS THEY MAY ACQUIRE IT ON THE PARALLEL MARKET AT A PREMIUM OF 18-21 PERCENT MORE THAN THE OFFICIAL EXCHANGE RATES. THE PREMIUM HAS BEEN INCREASING APPROXIMATELY TWO PERCENT PER YEAR AND IT IS EXPECTED IT WILL INCREASE MORE THIS YEAR. THE CENTRAL BANK REQUIRES PREPAYMENT OF LETTERS OF CREDIT AND THEN SLOWS DOWN THE PROCESSING OF FOREIGN EXCHANGE TO DISCOURAGE IMPORTS. IT CURRENTLY TAKES APPROXIMATELY THREE MONTHS TO OBTAIN DOLLARS BUT THE PERIOD REQUIRED HAS LAGGED AS LONG AS NINE MONTHS IN THE PAST. IT IS EXPECTED THAT THE THREE-MONTH PERIOD WILL LENGTHEN WHEN THE GODR'S BALANCE OF PAYMENTS SITUATION TIGHTENS THIS COMING YEAR.

3. INTERNAL LAWS

(A) LAW 173, DATED MARCH 9, 1964, WITH AMENDMENTS, IS AN ACCUMULATION OF ALL LAWS WHICH TAX OR LEVY TAXES ON VARIOUS ITEMS. IT IS A Hodgepodge since some of the laws date back to 1931 and levy special taxes or tariffs on a wide range of products.

(B) LAW 361 DATED DECEMBER 27, 1967, ESTABLISHED A 15 PERCENT AD VALOREM INTERNAL CONSUMPTION TAX ON ALL IMPORTS EXCEPT THOSE EXEMPTED. LAW 234 LATER FIXED THE RATE AT 20 PERCENT. EXEMPTED PRODUCTS ARE MAGAZINES AND NEWSPAPERS; RUBBER BACKING; FERTILIZERS, INSECTICIDES, HERBICIDES, ALL AGRICULTURAL SEEDS; CATTLE, DOMESTIC BIRDS, EGGS, CONCENTRATED FEED; BIOLOGICAL AND MEDICINAL PRODUCTS; STOVES UNDER 30 POUNDS USING LIQUID OR GAS FUEL; AGRICULTURE RELATED PRODUCTS; SYNTHETIC RESINS; AND CERTAIN FOOD PRODUCTS.

(C) LAW 692 AND AMENDMENTS ESTABLISHES A FOUR PERCENT TAX ON ALL DUTIES AND TAXES. TWENTY-FIVE PERCENT OF THE REVENUES ARE ASSIGNED TO THE DOMINICAN CENTER FOR EXPORT PROMOTION (CENTRO DOMINICANO DE PROMOCION DE EXPORTACIONES -CEDOPEX). IN ADDITION, THERE IS A THREE PERCENT INCOME TAX LEVIED UNDER LAW 5911 DATED MAY 22, 1962, AND ITS AMENDMENTS ON ALL IMPORTS. THERE ARE NO EXCEPTIONS.

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4. CONSULAR INVOICE - THE CONSULAR INVOICE MUST BE IN SPANISH AND BE PREPARED IN SIX COPIES. ALTHOUGH THE CONSULAR FEES ARE MODEST, ITS REQUIREMENT, NEVERTHELESS, IS A HINDRANCE FOR INTERNATIONAL TRADE. THE GODR REQUIRES THAT THE SHIPPING DOCUMENTS ARRIVE BEFORE THE GOODS AND LEVIES SERIOUS FINES ON IMPORTERS WHEN GOODS ARRIVE BEFORE THE DOCUMENTS. THE GODR MAINTAINS 28 CONSULATES IN THE US ALONE AND SUPPORTS THEM IN LARGE PART WITH CONSULAR INVOICE INCOME. EMBASSY RECOMMENDS THE ELIMINATION OF THIS IMPEDIMENT BE GIVEN

PRIORITY ATTENTION.

5. EMBASSY HAS CONSULTED WITH LOCAL PUERTO RICAN COMMERCE
OFFICE AND HAS REQUESTED ITS COOPERATION IN STUDYING THE
TARIFF AND NON-TARIFF STRUCTURE AS IT MAY AFFECT PUERTO RICO'S
EXPORTS TO THE DOMINICAN REPUBLIC. ANY SIGNIFICANT CONCLUSIONS
IN THIS REGARD WILL BE PROMPTLY REPORTED.
HURWITCH

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Disposition Case Number: n/a
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Margaret P. Grafeld
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